

# CHOOSING YOUR ACCOUNTANT

## Financial Management Functions

Just as with any job in your company, you need to determine what has to be done before you can select the right person to do it. The important point is that certain financial management functions must be assigned to someone.

Here are minimum financial management functions that must be assigned to individuals in your organization:

- Record keeping to conform to tax laws and to provide data for management of your business.
- Preparation of financial statements including cash flow forecasts. This is vital to ensuring that your business is not one of the many small firms that go under in the first three years of operation.
- Analysis which permits you to decide whether to expand, reduces, or eliminate activities.
- Preparation of income tax returns and other government reports. This includes sales tax reporting, local business license renewals, and tangible personal property tax returns. If you have employees, there are additional reports you must prepare.
- Comparison of insurance costs to benefits received, and recommendation of appropriate action.

## Who Will Do These Functions?

Some businessmen feel that they can do their own accounting work. Unless you have had formal training, this is probably not a good idea, for at least three reasons: (1) your time is usually more valuable spent elsewhere, (2) this is a technical field where much time is required to keep up-to-date, and (3) a small mistake can have big consequences, so this is not a place to try and cut corners.

## CPA or Not?

An accountant may be certified or non-certified, and may be an employee of the company or of an outside firm. The term Certified Public Accountant (CPA) means that the individual has met certain education and/or experience requirements, and has passed the state CPA examination. Accountants without the CPA designation may be just as qualified particularly if they are members of the National Society of Public Accountants. But keep in mind that **Q!!y** a CPA not employed by the business may prepare certified financial statements, so even if your business has its own accountant, you may still need the services of an outside accounting firm.

## **Sources of Help**

Accountants come in many specialties and levels of proficiency. To select one, first determine what services you need. Then start asking for recommendations. Contact your banker for a list of recommended accounting firms. Ask your attorney and other successful business people in your community. Check with SCORE/SBDC or you can contact:

Independent Accountants of Illinois	(800)-222-2270
Illinois CPA Society	(800)-993-0407

## **Large or Small?**

Should you hire a small accounting firm or a large, well-known one? Larger firms may have more formally established standards of performance, as well as specialty departments (such as tax) to advise those doing your work. These firms generally have more personnel turnover which produces broad and objective experience. They may also be more impersonal. Small firms may have greater flexibility in handling your work and more local connections with banks, attorneys, and local governmental offices. Since they are not as well known, you should be more careful about checking the reputation of a small firm than a large one. Generally small firm fees are less and for startup and small companies, may be a much better fit.

It may be beneficial to discuss your needs with both large and small accounting firms. Consider the availability of data processing services through your accountant if you do not have in-house equipment. Above all, ask to meet the individuals who will be assigned to your account. Since you will be working closely with them, they may be the single most important factor in your decision.

## **Price versus Competence**

While price is a consideration when you are interviewing prospective firms or individuals, as in any other shopping you do, you must appraise the value and depth of the service you'll receive. Have a clear understanding of what work will be done when, and for approximately how much (accurate prices cannot generally be stated except in terms of hourly rates). Establish a clear schedule of dates on which various reports will be completed. These reports should be available as soon after the period covered as possible, to enable recollection of events that influenced results, and to permit timely adjustments in operations. Ask if there are other services that the accountant would recommend for you. If costs prevent you from securing all of the services you want, be frank about your position. They may be willing to work with you knowing that your firm is likely to grow and give them more business in the future.

## **Follow Up!**

Once your accountant's services have begun, review them several times a year to be sure that you are getting what your business needs. If you don't understand something, ASK. Your accountant should be a part of your management team so your communications with them should be as good as with a partner in the business. Discuss any shortcomings with the accountant to give them the opportunity to correct the matter. If the services still don't meet your needs, look for another accountant. Remember that this is like hiring an employee. If you do a thorough pre-employment job, you are more likely to hire the right person.

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The information in this handout was based on Eastman Kodak Company Credit Department's Publication, *Selecting & Directing the Financial Manager*,